

KVH INDUSTRIES INC \DE\  
Form DEF 14A  
April 29, 2011  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

(Amendment No.    )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

**KVH INDUSTRIES, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

## Edgar Filing: KVH INDUSTRIES INC \DE\ - Form DEF 14A

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(3) Filing Party:

(4) Date Filed:



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**KVH Industries, Inc.**  
**Notice of Annual Meeting of Stockholders**  
**to be held on June 8, 2011**  
**and**  
**Proxy Statement**

**IMPORTANT**

Please mark, sign and date your proxy  
and promptly return it in the enclosed envelope or  
vote your proxy over the Internet or by telephone.

This proxy statement and form of proxy are first being mailed to stockholders on or about May 2, 2011.

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KVH Industries, Inc.

50 Enterprise Center

Middletown, RI 02842-5279

April 29, 2011

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of KVH Industries, Inc. Our meeting will be held at the offices of KVH Industries, Inc., 50 Enterprise Center, Middletown, Rhode Island, on Wednesday, June 8, 2011, beginning at 11:00 a.m. local time.

At this year's annual meeting, stockholders will be asked to take the following actions:

elect two directors;

consider a non-binding say on pay vote regarding the compensation of our named executive officers;

consider a non-binding say on frequency vote regarding the frequency of holding the vote on our executive compensation program (once every year, every two years or every three years);

ratify the appointment of KPMG LLP as our independent registered public accounting firm; and

vote upon any other matters appropriate to the meeting.

We have provided additional information about these items and the annual meeting in the attached notice of annual meeting and proxy statement.

Whether or not you plan to attend the annual meeting, we hope you will vote as soon as possible. You may vote over the Internet, by telephone, or by mailing a completed proxy card. Voting your proxy will ensure your representation at the annual meeting. If you hold your shares indirectly, such as through a brokerage firm or similar institution, you should follow the voting instructions provided by that firm.

I urge you to review the proxy materials carefully and to vote for the proposals described in the proxy statement.

Thank you for your cooperation, continued support, and interest in KVH Industries, Inc. I hope to see you at the annual meeting.

Sincerely,

Martin A. Kits van Heyningen  
President, Chief Executive Officer and

Chairman of the Board of Directors

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**KVH INDUSTRIES, INC.**

**Notice of Annual Meeting of Stockholders**

**to be held on June 8, 2011**

KVH Industries, Inc., hereby gives notice that it will hold its annual meeting of stockholders at the offices of KVH Industries, Inc., 50 Enterprise Center, Middletown, Rhode Island, on Wednesday, June 8, 2011, beginning at 11:00 a.m., local time, for the following purposes:

1. To consider and vote upon the election of two Class III directors;
2. To consider a non-binding say on pay vote regarding the compensation of our named executive officers;
3. To consider a non-binding say on frequency vote regarding the frequency of holding the vote on our executive compensation program (once every year, every two years or every three years);
4. To ratify the appointment of KPMG LLP as our independent registered public accounting firm; and
5. To transact such further business as may properly come before the annual meeting or any adjournment of the meeting.

Our Board of Directors has fixed the close of business on Friday, April 15, 2011 as the record date for the determination of the stockholders entitled to receive notice of, and to vote at, the annual meeting and any adjournment of the meeting. Only stockholders of record on April 15, 2011 are entitled to receive notice of, and to vote at, the annual meeting or any adjournment of the meeting.

By Order of the Board of Directors,

Felise Feingold

Secretary

Middletown, Rhode Island

April 29, 2011

**YOUR VOTE IS IMPORTANT**

**Please sign and return the enclosed proxy, whether or not you**

**plan to attend the annual meeting.**

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**Important Notice Regarding the Availability of Proxy Materials**

**for the Annual Meeting of Stockholders to be Held on June 8, 2011**

This proxy statement and our 2010 annual report to stockholders are available on the Internet at [www.kvh.com/annual](http://www.kvh.com/annual). You can read, print, download and search these materials at that website. The website does not use cookies or other tracking devices to identify visitors.

You can obtain directions to be able to attend the meeting and vote in person at [www.kvh.com/annual](http://www.kvh.com/annual).

None of the information on our website or elsewhere on the Internet forms a part of this proxy statement or is incorporated by reference into this proxy statement.

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**PROXY STATEMENT**

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**ANNUAL MEETING OF STOCKHOLDERS**

**Purpose of the annual meeting**

At the annual meeting, we will submit the following proposals to our stockholders:

- Proposal One:** To elect two Class III directors to a three-year term.
- Proposal Two:** To consider a non-binding say on pay vote regarding the compensation of our named executive officers.
- Proposal Three:** To consider a non-binding say on frequency vote regarding the frequency of the vote on our executive compensation program (once every year, every two years or every three years).
- Proposal Four:** To ratify the appointment of KPMG LLP as our independent registered public accounting firm.

Our Board of Directors does not intend to present to the annual meeting any business other than the proposals described in this proxy statement. Our Board of Directors was not aware, a reasonable time before mailing this proxy statement to stockholders, of any other business that may be properly presented for action at the annual meeting. If any other business should come before the annual meeting, the persons present will have discretionary authority to vote the shares they own or represent by proxy in accordance with their judgment, to the extent authorized by applicable regulations.

**Record date**

Our Board of Directors has fixed the close of business on Friday, April 15, 2011, as the record date for the annual meeting. Only stockholders of record as of the close of business on that date are entitled to receive notice of the annual meeting, and to vote at, the annual meeting. At the close of business on the record date, there were 15,555,444 shares of our common stock outstanding. Each share of common stock outstanding on the record date will be entitled to cast one vote.

**Methods of voting**

The shares represented by your properly signed proxy card will be voted in accordance with your directions. If you do not specify a choice with respect to a proposal for which our Board of Directors has made a recommendation, the shares covered by your signed proxy card will be voted as recommended in this proxy statement. We encourage you to vote on all matters to be considered.

*Voting by mail:*

By signing and returning the proxy card in the enclosed envelope, you are enabling the individual named on the proxy card (known as proxy ) to vote your shares at the meeting in the manner you indicate. We encourage you to sign and return the proxy card even if you plan to attend the meeting. In this way, your shares will be voted even if you are unable to attend the meeting. If you received more than one proxy card, it is an indication that your shares are held in multiple accounts. Please sign and return all proxy cards to ensure that all of your shares are voted.

*Voting by telephone:*

To vote by telephone, please follow the instructions included on your proxy card. If you vote by telephone, you do not need to complete and mail your proxy card.

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### *Voting on the Internet:*

To vote on the Internet, please follow the instructions included on your proxy card. If you vote on the Internet, you do not need to complete and mail your proxy card.

### *Voting in person at the meeting:*

If you plan to attend the meeting and vote in person, we will provide you with a ballot at the meeting. If your shares are registered directly in your name, you are considered the stockholder of record and you have the right to vote in person at the meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of the shares held in street name. If you wish to vote shares held in street name at the meeting, you will need to bring with you to the meeting a legal proxy from your broker or other nominee authorizing you to vote your shares.

You can obtain directions to be able to attend the meeting and vote in person at [www.kvh.com/annual](http://www.kvh.com/annual). None of the information on our website or elsewhere on the Internet forms a part of this proxy statement or is incorporated by reference into this proxy statement.

## **Quorum requirement**

Our by-laws provide that a quorum consists of a majority of the shares of common stock outstanding and entitled to vote at the annual meeting. Shares of common stock represented by a properly signed and returned proxy will be treated as present at the annual meeting for purposes of determining the existence of a quorum at the annual meeting. In general, votes withheld from any nominee for election as director, abstentions, if applicable, and broker non-votes, if applicable, are counted as present or represented for purposes of determining the existence of a quorum at the annual meeting. A non-vote occurs when a broker or nominee holding shares for a beneficial owner returns a proxy but does not vote on a proposal because the broker or nominee does not have discretionary voting power and has not received instructions from the beneficial owner.

## **Votes required; tabulation of votes**

A plurality of the votes properly cast at the annual meeting will be necessary to elect each Class III director to a three-year term (proposal 1) and to approve the advisory vote on the frequency of holding future advisory votes regarding the approval of our executive compensation (proposal 3). Approval of the advisory vote on the approval of our executive compensation (proposal 2) and approval of the ratification of the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2011 (proposal 4) each requires the affirmative vote of the holders of a majority of the votes cast at the annual meeting. Proposals 2 and 3 are non-binding proposals.

Abstentions and broker non-votes will not be included in calculating the number of votes cast on any proposal. Abstentions and broker non-votes will not have any effect on the outcome of the vote on any of the proposals described in this proxy statement.

Our transfer agent, Computershare Trust Company, N.A., will separately tabulate the votes on each matter presented to the stockholders at the annual meeting.

## **Solicitation of proxies**

We are soliciting proxies on behalf of our Board of Directors. No compensation will be paid by any person in connection with our solicitation of proxies. We will reimburse brokers, banks and other nominees for the out-of-pocket expenses and other reasonable clerical expenses they incur in obtaining instructions from

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beneficial owners of our common stock. In addition to our solicitation by mail, our directors, officers and employees may make special solicitations of proxies personally or by telephone, facsimile, courier or e-mail. We expect that the expense of any special solicitation will be nominal. We will pay all expenses incurred in connection with this solicitation.

**Revocability of proxy**

You may revoke your proxy at any time before it is voted at the meeting. In order to revoke your proxy, you must either:

sign and return another proxy card with a later date;

provide written notice of the revocation of your proxy to our secretary; or

attend the meeting and vote in person.

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**PROPOSAL ONE: ELECTION OF DIRECTORS**

**Proposal One concerns the election of two Class III directors for three-year terms.**

Our Board of Directors currently consists of six directors and is divided into three classes. We refer to these classes as Class I, Class II and Class III. The term of one class of directors expires each year at the annual meeting of stockholders. Each director also continues to serve as a director until his or her successor is duly elected and qualified. This year, the term of the Class III directors is expiring.

Our Nominating and Corporate Governance Committee has nominated Robert W.B. Kits van Heyningen and Bruce J. Ryan to serve as Class III directors for a three-year term. Our stockholders elected Messrs. Robert W.B. Kits van Heyningen and Bruce J. Ryan at our annual meeting of stockholders in May 2008, and their current terms will expire at the 2011 annual meeting.

Proxies will not be voted at the 2011 annual meeting for more than two candidates.

Messrs. Robert W.B. Kits van Heyningen and Bruce J. Ryan have agreed to serve if elected, and we have no reason to believe that they will be unable to serve. If either of them is unable or declines to serve as a director at the time of the annual meeting, proxies will be voted for another nominee that our Board of Directors will designate at that time.

A plurality of the votes properly cast at the annual meeting will be necessary to elect each Class III director to a three-year term.

**Our Board of Directors recommends that you vote FOR the election of Messrs. Robert W.B. Kits van Heyningen and Bruce J. Ryan as our Class III directors.**

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**PROPOSAL TWO: ADVISORY VOTE ON EXECUTIVE COMPENSATION**

**Proposal Two concerns the consideration of an advisory vote on executive compensation.**

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in July 2010, or the Dodd-Frank Act, and Section 14A of the Securities Exchange Act of 1934, as amended, or the Exchange Act, our shareholders are entitled to vote at the annual meeting to approve the compensation of our named executive officers as described in the Compensation Discussion and Analysis section, the executive compensation tables and the accompanying narrative disclosure set forth in this proxy statement. This proposal is commonly referred to as a say on pay proposal. Pursuant to the Dodd-Frank Act, the shareholder vote on executive compensation is an advisory vote only, and it is not binding on us or our Board of Directors.

We designed our executive compensation program to provide an appropriate mix of fixed and variable pay, to balance short-term operational performance with long-term shareholder value, and to encourage executive recruitment and retention. Our 2010 executive compensation program provided for (a) fixed compensation in the form of salaries designed to provide a competitive baseline of compensation, (b) short-term variable compensation in the form of a cash-based incentive compensation program designed to reward achievement of our financial and business goals for 2010 and (c) long-term variable compensation in the form of equity awards designed to reward our executives primarily through increases in the price of our common stock. We believe that our executive compensation program appropriately implemented our pay-for-performance philosophy and gave appropriate incentives to our named executive officers to increase shareholder value.

Highlights of our executive compensation program include the following:

*Base Salary.* Base salaries of our named executive officers provide fixed compensation to reward individual value that the executive brings to us through experience and past and expected future contributions to our success while factoring in our specific needs and the base salaries of executives with comparable responsibilities at similar organizations. Annually, with the assistance of Radford Surveys and Consulting, or Radford, an Aon Consulting Company, the Compensation Committee has reviewed the base salaries of our named executive officers against those of a peer group of companies and other survey data (collectively, survey data). For 2010, the base salaries of all named executive officers approximated the 50<sup>th</sup> percentile of this survey data. We believe that aligning the base salaries of our named executive officers with appropriate benchmarks is especially critical to a competitive compensation program, as other elements of our compensation are determined as a percentage of base salary.

*Annual Cash-based Incentive Compensation.* In 2010, we implemented a cash-based incentive compensation plan that tied executive pay to the achievement of our annual business and financial goals and certain individual performance goals set at the beginning of the year. This incentive program awarded compensation based on the degree to which our actual financial results met the financial goals of our internal business plan and the degree to which the executives met their individual performance goals. In 2010, our formula tied 75% of the executives' target incentive compensation directly to corporate performance and 25% to individual performance goals. The Compensation Committee gave greater weight in the formula to corporate performance because it wished to align our executives' interest with strong corporate performance and to promote cooperation among them. The target incentive compensation (as a percentage of base salary) selected for the named executive officers was generally positioned at the 50<sup>th</sup> percentile of the survey data. The corporate performance goal was based on our progress against our business strategy for 2010. In assessing this progress, the Compensation Committee gave primary consideration to our achievement of our goal for earnings before interest, taxes, depreciation, amortization and equity-based compensation expenses, or Adjusted EBITDA. The Compensation Committee selected Adjusted EBITDA as a performance measure because it believed that Adjusted EBITDA was a strong operating measurement of how well or poorly we performed from a financial standpoint. As a percentage of base salary, cash-based incentive

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compensation awarded to the named executive officers for 2010 performance ranged from 7% above to 8% below the 50<sup>th</sup> percentile of the survey data for the applicable position.

*Long-term Equity Incentives.* Equity incentives are designed to reward the achievement of long-term growth in the price of our common stock. The equity grants to our named executive officers in 2010 consisted of restricted stock awards, with four year vesting periods designed to encourage the executives to focus on the long-term performance of our stock price. In addition, thirty percent of the restricted stock awards granted to the named executive officers in 2010 were performance-based, since vesting was also contingent upon attaining the fiscal 2010 performance goals as determined by the Compensation Committee. The Compensation Committee believed that granting equity incentives was the best method of motivating the named executive officers to manage our operations in a manner that is consistent with the long-term interests of our stockholders. The fair values of the equity awards granted to the named executive officers in 2010 were between the 50<sup>th</sup> and 75<sup>th</sup> percentile of the survey data. For the years 2010 to 2012, we have committed to maintain an average annual equity burn rate that does not exceed 5.15% (determined at the end of fiscal year 2012).

*Pay Practices.* We do not use certain pay practices that shareholder advocates consider to be problematic. For example, we do not provide extensive perquisites to our named executive officers, we do not have long-term employment agreements, we do not have guaranteed severance programs and we do not provide any tax gross-ups. We have no guaranteed salary increases, no guaranteed bonuses and no cash-based incentive compensation programs that are not tied to our performance.

*Consultant Independence.* Our Compensation Committee's independent consultant is retained directly by the Compensation Committee, provides no other services to us, and has provided the Committee with a written attestation of its independence from management.

The Compensation Discussion and Analysis beginning on page 14 of this Proxy Statement, further describes our compensation program for our named executive officers and the decisions made by the Compensation Committee with respect to 2010.

Stockholders are being asked to vote on the following resolution:

RESOLVED: That the stockholders of KVH Industries, Inc. hereby approve, on an advisory basis, the compensation of the corporation's named executive officers, as described in the Compensation Discussion and Analysis section, the executive compensation tables and the accompanying narrative disclosure set forth in the corporation's proxy statement for the 2011 annual meeting of stockholders.

Approval of this proposal requires the affirmative vote of the holders of a majority of the votes cast on the proposal at the annual meeting.

As an advisory vote, this proposal is not binding. The outcome of this advisory vote will not determine or overrule any decision by our directors or officers, create or imply any change to the fiduciary duties of our directors or officers or create or imply any additional fiduciary duties for our directors or officers. However, our Compensation Committee and Board of Directors value the opinions expressed by our stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for named executive officers.

**Our Board of Directors unanimously recommends that you vote FOR the approval of the compensation of our named executive officers, as described in the Compensation Discussion and Analysis section, the executive compensation tables and the accompanying narrative disclosure set forth in this proxy statement.**

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**PROPOSAL THREE: FREQUENCY OF VOTE ON EXECUTIVE COMPENSATION**

**Proposal Three concerns the advisory vote on the frequency of holding future executive compensation advisory votes.**

In Proposal Two, we are providing our stockholders the opportunity to vote to approve, on an advisory basis, the compensation of our named executive officers. Under the Dodd-Frank Act and Section 14A of the Exchange Act, our stockholders are also entitled to cast an advisory vote regarding the frequency of holding future advisory votes on the compensation of our named executive officers. Under this Proposal Three, stockholders may vote for a frequency of every one, two, or three years, or may abstain.

The Board of Directors will take into consideration the outcome of the vote on this proposal in making a determination about the frequency of future advisory votes on the compensation of our named executive officers. However, because this vote is advisory and non-binding, our Board may decide that it is in the best interests of our stockholders to hold the advisory vote more or less frequently than the frequency that receives the most support from stockholders.

After careful consideration, the Board of Directors believes that the advisory vote on the compensation of our named executive officers should be held every three years, and therefore our Board recommends that you vote for a frequency of every THREE YEARS for future advisory votes on the compensation of our named executive officers for the following reasons:

We believe our executive compensation program is competitive and designed to reward management based on our operating and stock price performance. Although we pay competitive salaries, a substantial portion of each executive's potential compensation comes either from our management incentive plan or from increases in the value of equity awards, which appreciate only if the price of our common stock increases. Payments under the management incentive plan that are tied to corporate performance are generally made only if we meet the threshold of performance set by the Compensation Committee, and those payments become substantial in relation to the executives' salaries only if performance meets or exceeds the targets set by the Committee. Although grants of restricted stock have a certain value at the time of vesting, the executives will realize substantial gains only if our stock price improves over time; those gains are shared directly by our stockholders. Accordingly, we believe that our executive compensation program provides a competitive baseline of compensation but otherwise rewards executives only for improvements in either operating or stock price performance.

The structure of our executive compensation program has generally not changed from year to year. Since January 2007, our Compensation Committee has utilized the independent consulting services of Radford and has been targeting and paying total direct compensation at approximately the 50<sup>th</sup> percentile of the relevant survey data, and we have been using the same basic management incentive plan structure for that entire time. Although the specific performance targets set forth in the management incentive plan have changed in recent years from earnings per share to Adjusted EBITDA, those changes were made primarily to exclude non-performance-related factors (such as unusual tax matters). In light of our generally consistent executive compensation program, we do not believe that an annual vote on essentially the same program is useful or necessary.

We believe that an annual say on pay vote would place too much emphasis on short-term results and would not properly take into account the nature of our business. For example, our defense business generates inconsistent revenue because of the nature of the applicable government procurement programs and fluctuations in military requirements, which can vary according to the scope of wartime engagements. These matters are far outside the direct control of our management. Accordingly, our defense revenue can vary dramatically (in either direction) from year to year regardless of the efforts of our management team. Similarly, the rollout of our new mini-VSAT business is having a multi-year adverse impact on our operating results as we establish new satellite coverage areas and seek to grow our business in those areas. We have substantially increased our operating costs in order to facilitate



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and grow future airtime revenues. In light of these aspects of our business, we think an annual vote on our executive compensation program would inevitably focus stockholders' attention only on the results for the most recent year rather than on multi-year trends and investments that are directed at longer-term results. We think a triennial vote would allow stockholders to assess our management's performance over the entire three-year period for which compensation is reported, which we think would lead to a more reasonable assessment of that performance.

We also think that an annual vote allows insufficient time to respond properly to a negative or weakly positive "say on pay" vote. We typically establish salaries, define the performance goals of the management incentive plan and award equity compensation in the first few months of each calendar year, well before the annual meeting of stockholders. As a result, by the time of the stockholder vote in the current year on our executive compensation for the prior year, the current year's compensation program would be well underway. Accordingly, in the event of a negative or weakly positive vote, we would likely not have a meaningful opportunity to engage with stockholders and settle upon any appropriate changes to our executive compensation program for the current year. Since the current year's executive compensation program is likely to be substantially similar to the program that received a negative or weakly positive vote, an advisory vote held in the following year on the current year's compensation program would likely lead to the same or a similar outcome. In effect, the outcome of the vote on the current year's program would be largely determined before the Compensation Committee even knew of or had time to respond to any concerns of stockholders. We believe a triennial vote would provide sufficient time for us to solicit specific input from our largest stockholders relative to our executive compensation program, evaluate proposed changes to the program and make any appropriate revisions to the program.

We believe that a dialogue with our shareholders about executive compensation should be ongoing and that a formal vote at an annual meeting will provide us with only limited information about the nature of any shareholder concerns regarding our executive compensation. We encourage our shareholders to convey their compensation concerns to us on a real-time basis.

We note that stockholders will have additional opportunities to vote on matters relating to our executive compensation. Under the rules of the Nasdaq Stock Market, Inc., we must seek stockholder approval of new equity compensation plans and material revisions to our existing equity compensation plans, regardless of whether we also submit to stockholders a "say on pay" vote in the year in which we seek such approval.

A plurality of the votes properly cast on this proposal at the annual meeting will be necessary to approve the frequency of holding future advisory votes on the compensation of our named executive officers. Stockholders are not voting to approve or disapprove the recommendation of the Board of Directors on this proposal.

**Our Board of Directors recommends that you vote for a frequency of once every THREE YEARS for future non-binding advisory votes on the compensation of our named executive officers.**

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**PROPOSAL FOUR: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**Proposal Four concerns the ratification of the appointment of KPMG LLP as our independent registered public accounting firm.**

In accordance with its charter, the Audit Committee has selected the firm of KPMG LLP, an independent registered public accounting firm, to be our independent auditor for the year ending December 31, 2011 and, with the endorsement of the Board of Directors, recommends to stockholders that they ratify such appointment. KPMG LLP has served in this capacity since fiscal 1994. Its representatives will be present at the annual meeting and will have an opportunity to make a statement and be available to respond to appropriate questions.

A majority of the votes properly cast at the annual meeting will be necessary to ratify the selection by the Audit Committee of our Board of Directors of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2011. Abstentions and broker non-votes will not be included in calculating the number of votes cast on the proposal.

**Our Board of Directors recommends that you vote FOR the proposed ratification of the appointment by our Audit Committee of KPMG LLP as our independent registered public accounting firm.**

**Table of Contents****DIRECTORS AND EXECUTIVE OFFICERS**

Our executive officers and directors are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Martin A. Kits van Heyningen	52	President, Chief Executive Officer and Chairman of the Board of Directors
Patrick J. Spratt	63	Chief Financial Officer
Robert J. Balog	47	Senior Vice President, Engineering
Brent C. Bruun	45	Vice President, Global Sales and Business Development
Daniel R. Conway	57	Vice President, Business Development
James S. Dodez	52	Vice President, Marketing and Strategic Planning
Felise B. Feingold	41	Vice President, General Counsel and Secretary
Robert W.B. Kits van Heyningen	54	Vice President, Research and Development and Director
Mark S. Ain <sup>(1)(2)(3)</sup>	68	Director
Stanley K. Honey <sup>(1)(3)</sup>	56	Director
Bruce J. Ryan <sup>(1)(2)(3)</sup>	67	Director
Charles R. Trimble <sup>(1)(2)(3)</sup>	69	Director

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating and Corporate Governance Committee.

Our executive officers are appointed by, and serve at the discretion of, our Board of Directors. Robert W.B. Kits van Heyningen is the brother of Martin A. Kits van Heyningen. Arent H. Kits van Heyningen, our chief scientist, is the father of Martin A. Kits van Heyningen and Robert W.B. Kits van Heyningen. Kathleen Keating, our creative director, is the wife of Martin A. Kits van Heyningen. Paula Conway, our program manager, is the wife of Daniel R. Conway.

***Directors serving a term expiring at the 2011 annual meeting (Class III directors):***

**Robert W.B. Kits van Heyningen**, one of our founders, has served as one of our directors since 1982 and as our vice president of research and development since April 1998. From September 2008 to June 2009, he also served as an Adjunct Professor at the University of Rhode Island School of Engineering. From 1982 to April 1998, he served as our vice president of engineering. From 1979 to 1982, Mr. Kits van Heyningen was an associate engineer at the Submarine Signal Division of Raytheon Company and from 1977 to 1984, he served as a consultant to various companies and universities. Mr. Kits van Heyningen received a B.S. in physics from McGill University with a minor in computer science. Our Nominating and Corporate Governance Committee determined that Mr. Kits van Heyningen should serve as a director because of his more than 30 years of industry experience, combined with his extensive background in engineering, as well as his 29 years of experience as a member of our Board of Directors.

**Bruce J. Ryan** has served as one of our directors, the Chairman of our Audit Committee, and a member of our Compensation Committee since July 2003. He has also been a member of our Nominating and Corporate Governance Committee since February 2004. Mr. Ryan is currently involved in private consulting. From February 1998 to November 2002, he served as executive vice president and chief financial officer of Global Knowledge Network, a provider of information technology and computer software training programs and certifications. From 1994 to 1998, he served as the executive vice president and chief financial officer of Amdahl Corporation, a provider of information technology solutions. Mr. Ryan previously had a 25-year career at Digital Equipment Corporation, where he served in various executive positions, including senior vice president of the financial services, government and professional services business group. He currently serves on the Board of Director of two private companies and served as a director of UTStarcom, Inc. from April 2008 to December 2010. He received a B.S. in business administration from Boston College and an M.B.A. from Suffolk

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University. Our Nominating and Corporate Governance Committee determined that Mr. Ryan should serve as a director because of his more than seven years of experience as a member of our Board of Directors combined with his experience as a member of the Board of Directors for numerous private and public companies, his familiarity with accounting matters, as well as his executive and management experience serving as executive vice president and chief financial officer of Global Knowledge Network and Amdahl Corporation, both providers of information technology, and his 25 years of experience at Digital Equipment Corporation.

***Directors serving a term expiring at the 2012 annual meeting (Class I directors):***

**Mark S. Ain** has served as one of our directors since 1997, the Chairman of our Compensation Committee since 1997, a member of our Audit Committee since 2000 and a member of our Nominating and Corporate Governance Committee since February 2004. He is the Chairman of the Board of Directors of Kronos Incorporated, which he founded in 1977 and served as CEO until 2006. Mr. Ain also serves on the Boards of Directors of LTX-Credence Corporation, VeruTEK Technologies, Inc., and various private companies and charitable organizations. He received a B.S. from the Massachusetts Institute of Technology and an M.B.A. from the University of Rochester. Our Nominating and Corporate Governance Committee determined that Mr. Ain should serve as a director because of his 14 years of experience as a member of our Board of Directors combined with his executive and management experience serving as founder, chief executive officer and Chairman of the Board of Directors of Kronos Incorporated as well as his experience as a member of the Board of Directors of LTX-Credence Corporation, VeruTEK Technologies and various private companies.

**Stanley K. Honey** has served as one of our directors since 1997 and a member of our Nominating and Corporate Governance Committee since February 2004. Mr. Honey was a member of the Audit Committee from 1997 to 2003 and was reappointed in February 2011. Mr. Honey has been serving as the Director of Technology for the America's Cup Event Authority since April 2011. From January 2004 through January 2005, Mr. Honey served as the chief scientist of Sportvision Systems, LLC, which he co-founded in November 1997. He served as president and chief technology officer of Sportvision Systems, LLC, from 2000 to January 2004 and as its executive vice president and chief technology officer from 1998 to 2000. From 1993 to 1997, Mr. Honey served as executive vice president of technology for the New Technology Group of News Corporation. From 1989 to 1993, Mr. Honey served as president and chief executive officer of ETAK, Inc., a wholly owned subsidiary of News Corporation. Mr. Honey founded ETAK in 1983 and served as its executive vice president of engineering until News Corporation acquired it in 1989. Mr. Honey received a B.S. from Yale University and an M.S. from Stanford University. Our Nominating and Corporate Governance Committee determined that Mr. Honey should serve as a director because of his 14 years of experience as a member of our Board of Directors as well as his executive and management experience serving in numerous senior level executive positions, his experience as co-founder of Sportvision Systems, LLC and founder of ETAK and his extensive knowledge of our marine customer base and the industry.

***Directors serving a term expiring at the 2013 annual meeting (Class II directors):***

**Martin A. Kits van Heyningen**, one of our founders, has served as our president and a director since 1982, chief executive officer since 1990, and as our Chairman of the Board of Directors since 2007. From 1980 to 1982, Mr. Kits van Heyningen was employed by the New England Consulting Group, a marketing consulting firm, as a marketing consultant. Mr. Kits van Heyningen received a B.A., cum laude, from Yale University and has been issued six patents. Our Nominating and Corporate Governance Committee determined that Mr. Kits van Heyningen should serve as a director because of his more than 30 years of industry experience as well as his executive leadership and management experience as founder, president, chief executive officer and Chairman of the Board of Directors of the Company.

**Charles R. Trimble** has served as one of our directors since 1999, a member of our Audit Committee since 2001, a member of our Compensation Committee since 2000 and a member of our Nominating and Corporate

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Governance Committee since February 2004. From 1981 to 1998, he served as the president and chief executive officer of Trimble Navigation Limited, a GPS company that he founded in 1978. Previously, he served as the manager of integrated circuit research and development at Hewlett-Packard's Santa Clara Division. Mr. Trimble is an elected member of the National Academy of Engineering, and he has been Chairman of the United States GPS Industry Council since 1996. In addition, Mr. Trimble is a member of the California Institute of Technology (Caltech) Board of Trustees. He received a B.S. in engineering physics, with honors, and an M.S. in electrical engineering from the California Institute of Technology. Our Nominating and Corporate Governance Committee determined that Mr. Trimble should serve as a director because of his 12 years of experience as a member of our Board of Directors combined with his executive leadership and management experience as co-founder, president and chief executive officer of Trimble Navigation Limited as well as his experience as an elected member of the National Academy of Engineering, Chairman of the United States GPS Industry Council and a member of the California Institute of Technology Board of Trustees.

*Our executive officers who are not also directors are listed below:*

**Patrick J. Spratt** has served as our chief financial officer since July 2002. From April 2001 to June 2002, Mr. Spratt served as an independent consultant, including service as the chief financial officer of FabCentric, Inc., a provider of productivity software for semiconductor manufacturing, from April 2001 until its acquisition in December 2001. From January 2000 to April 2001, Mr. Spratt served as a director and the chief financial officer of NEGEN Access, Inc., an early-stage broadband telecommunications company. From 1998 to January 2000, he served as the chief financial officer and treasurer of BioReliance Corporation, a pharmaceutical and biotechnology testing, development and manufacturing firm. Mr. Spratt previously had a 25-year career at Digital Equipment Corporation, including terms of service as vice president of investor relations from 1996 to 1998, vice president of business operations for computer systems from 1994 to 1996, and vice president of finance for worldwide engineering from 1993 to 1994. Mr. Spratt was a director and chairman of the Audit Committee for LTX Corp. from 2005 until its merger with Credence Systems Corp. in 2008. Mr. Spratt holds a B.A. in mathematics from Boston College and a M.B.A. from Boston University and has completed executive education programs at Columbia University and Harvard Business School.

**Robert J. Balog** has served as our senior vice president of engineering since October 2008. Previously, he served as our vice president of engineering, satellite products from February 2005 to October 2008. From June 2003 to January 2005, Mr. Balog served as president of his own engineering contract services company, Automation Services, Inc., a contract product development and services group specializing in a wide range of automation solutions. From June 2001 to May 2003, Mr. Balog served as vice president of engineering at ADE Corporation. From 1989 to April 2001, Mr. Balog held a number of positions at Speedline Technologies, Inc., a supplier of capital equipment to the electronics assembly industry, including general manager and vice president of research and development. He has served on the Board of Directors of the Surface Mount Equipment Manufacturers Association, serving as Chairman and numerous other positions. Mr. Balog is the recipient of 10 U.S. patents. Mr. Balog holds a B.S. in Computer Science from Purdue University.

**Brent C. Bruun** has served as our vice president of global sales and business development with a focus on the global expansion of KVH's mini-VSAT Broadband satellite communications service since July 2008. From January 2008 until joining KVH, Mr. Bruun worked as a private consultant. From January 2007 until January 2008, Mr. Bruun served as senior vice president of strategic initiatives for SES AMERICOM, a satellite operator providing services via its fleet of 16 geosynchronous satellites covering North America. In this position, he concentrated on global mobile broadband opportunities with particular emphasis on the maritime and aeronautical markets. Other positions held at SES AMERICOM included president of Americom's Managed Solutions Division from July 2004 until December 2006 and senior vice president of business development from July 2002 until June 2004. Previously, Mr. Bruun held positions at KPMG LLP and General Electric. Mr. Bruun holds a B.S. in accounting from Alfred University and is a certified public accountant.

**Daniel R. Conway** has served as our vice president of business development for military and industrial products since January 2003. From March 2000 to December 2002, Mr. Conway was the vice president of sales

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and marketing at BENTHOS Inc., an oceanographic technology company with customers in the marine, oil and gas, government and scientific markets. From 1980 to January 2000, he served in a variety of positions at Anteon (formerly Analysis & Technology), including vice president for new business development and acquisition integration from 1997 to January 2000 and vice president of operations for the Newport, Rhode Island operation from 1991 to 1997. Mr. Conway served for five years as a member of the U.S. Navy nuclear submarine force and was a Commander in the U.S. Naval Reserve (Naval Intelligence) for more than 10 years. He is a graduate of the U.S. Naval Academy with post-graduate studies in nuclear engineering, and he received an M.B.A. from the University of Rhode Island.

**James S. Dodez** has served as our vice president of marketing and strategic planning since March 2007. From October 1998 to March 2007, he served as our vice president of marketing. He served as our vice president of marketing and reseller sales from 1995 to October 1998, and from 1986 to 1995, he served as our marketing director. Prior to joining the company, Mr. Dodez was the marketing director at Magratten Wooley, Inc., an advertising agency, where he managed KVH's account from 1983 to 1986. Mr. Dodez received a B.S. in business with an emphasis in marketing from Miami University.

**Felise B. Feingold** has served as our vice president and general counsel since August 2007. Prior to joining the company, from January 2004 until July 2007, she held the position of vice president and general counsel for The Jean Coutu Group (PJC) USA, Inc., which operated the Brooks/Eckerd pharmacy chain, comprising more than 1,800 stores. Her other experience includes six years, from September 1998 to December 2004, as an attorney with the international law firm of McDermott, Will & Emery. Ms. Feingold holds a B.A. in government from Cornell University, a J.D. from Hofstra University School of Law, and an M.B.A. from Boston University Graduate School of Management.

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**COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

**Compensation Discussion and Analysis**

*Overview of Executive Compensation Program*

Our executive compensation program is overseen and administered by the Compensation Committee of our Board of Directors, which is comprised entirely of independent directors as determined in accordance with various NASDAQ Stock Market, United States Securities and Exchange Commission, or SEC, and Internal Revenue Code rules. None of its members is a current or former employee of ours. It is the goal of the Compensation Committee to create policies and practices that provide total compensation for executive officers that is fair, reasonable and competitive. The Compensation Committee operates under a written charter adopted by our Board.

All principal elements of compensation paid to our executive officers are subject to approval by the Compensation Committee. Specifically, our Board has delegated authority to the Compensation Committee to determine and approve (1) our compensation philosophy, including evaluating risk management and incentives that create risk, (2) annual base salaries, cash-based incentive compensation and equity-based compensation applicable to our executive officers, and (3) equity-based compensation applicable to non-executive employees.

There are no material differences in the compensation policies, objectives or programs with respect to our named executive officers, except that the compensation for our President, Chief Executive Officer, and Chairman of the Board of Directors (CEO) is determined exclusively by the Compensation Committee, while the compensation of our other named executive officers is determined by the Compensation Committee based on similar criteria, but also takes into account the recommendations of our CEO.

*Executive Compensation Philosophy and Objectives*

Our executive compensation program is designed to attract, retain and motivate highly qualified executives and align their interests with the interests of our stockholders. The ultimate goal of our executive compensation program is to increase stockholder value by providing executives with appropriate incentives to achieve our business goals. In recent years, our executive compensation program has had three principal elements: annual base salary, annual cash-based incentive compensation, and longer-term equity-based compensation.

Our executive compensation objectives are to:

offer fair and competitive compensation that attracts and retains superior executive talent;

directly and substantially link rewards to measurable corporate performance;

align the interests of executive officers with those of stockholders by providing executive officers with an equity stake in our company;

optimize the cost to us and value to executives; and

promote long-term career commitments that support a long-standing internal culture of loyalty and dedication to our interests. The three principal elements of our executive compensation program seek to provide the following rewards:

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Base salaries provide fixed compensation to reward individual value that an executive officer brings to us through experience and past and expected future contributions to our success, while factoring in our specific needs and comparable responsibilities at similar organizations.

Annual cash-based incentive compensation is designed to reward the achievement of our annual business and financial goals and certain individual performance goals set at the beginning of each year.



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This incentive program generally awards compensation based on the degree to which our actual financial results meet the financial goals of our internal business plan and the degree to which the executives meet their individual performance goals.

Equity grants are designed to reward the achievement of long-term growth in our stock price. Our equity grants for 2010 consisted of restricted stock awards. Restricted stock awards are granted with no payment of cash consideration. In 2010, restricted stock awards were granted to executives under the following terms: (a) 70% of the shares subject to the restricted stock award vest in four equal annual installments, the first of which vests on the first anniversary of the grant date; (b) 15% of the shares subject to the restricted stock award vest in four equal annual installments, the first of which vests on March 12, 2011, contingent upon achieving satisfactory progress toward three mini-VSAT sales objectives in 2010, as determined by the Compensation Committee, and (c) 15% of the shares subject to the restricted stock award vest in four equal annual installments, the first of which vests on March 12, 2011, contingent upon achieving satisfactory progress toward three fiber optic gyro sales objectives in 2010, as determined by the Compensation Committee.

For a company of our size, we believe that the use of these executive compensation elements strengthens our ability to attract and retain highly qualified executives. We believe this combination of programs provides an appropriate mix of fixed and variable pay, balances short-term operational performance with long-term shareholder value, and encourages executive recruitment and retention.

Our equity incentive program is a key retention tool and our vehicle for offering long-term incentives. Equity incentives are granted annually to executive officers to attract, motivate and retain these executives. We grant equity incentives to executive officers to encourage executive officers to work with a long-term view in the interest of shareholders and to reward the achievement of long-term growth in our stock price. In addition, thirty percent of the restricted stock awards granted to executives in 2010 were performance-based, since vesting was contingent upon attaining the fiscal 2010 performance goals set by the Compensation Committee. We believe that granting equity incentives is the best method of motivating the executive officers to perform in a manner that is consistent with the long-term interests of our stockholders.

### ***Compensation Decision-making Process***

Our executives are compensated principally through a combination of base salary, cash-based incentive compensation paid in the first quarter of the following year and an annual equity grant. In addition, we may also grant an initial equity award to new executive officers when they commence employment. From time to time, we may offer a signing or retention bonus to attract a new executive officer.

The base salary and equity award for each executive, together with the overall cash-based incentive compensation plan for all executives, are generally established within the first quarter of each fiscal year at a meeting of the Compensation Committee held for this purpose. This meeting generally follows one or more informal presentations or discussions of our financial performance, including achievement of performance targets, for the prior fiscal year. In 2010, the performance-based restricted stock awards for executives were contingent upon the stockholder approval of an increase in the number of shares available for issuance under our 2006 Stock Incentive Plan, as proposed at the 2010 annual meeting of stockholders. This proposal was approved by the stockholders at the 2010 annual meeting and as a result, the restricted stock awards were granted to the executives at the next Board of Directors meeting in August 2010. In deciding the compensation to be awarded to the executive officers other than the CEO for the current year, and cash-based incentive compensation earned during the prior fiscal year, the Compensation Committee typically receives recommendations from the CEO. The CEO and the members of the Compensation Committee discuss the CEO's recommendations. In deciding the compensation to be awarded to the CEO for the current year and the cash-based incentive compensation earned by the CEO during the prior year, the Compensation Committee typically receives a written self-assessment from the CEO and recommendations from the Chairman of the Compensation Committee. The

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members of the Compensation Committee then discuss the Chairman's recommendations. The CEO is not present at the time of these deliberations. The Compensation Committee may accept or adjust any recommendations and makes all final compensation decisions.

Our cash-based incentive compensation program comprises both corporate performance goals and individual performance goals; typically, three-fourths of each executive's target incentive compensation is based on the degree of achievement of our corporate performance goals and one-fourth is based on the degree of achievement of individual performance goals. The corporate performance portion of the cash-based incentive compensation program is generally based on a formula approved by the Compensation Committee at the start of each year, but the Compensation Committee has the discretion to award incentive compensation that differs from the formula-based amounts. The individual performance goals for the executive officers other than the CEO are determined by the CEO or the Chief Financial Officer, with input from each executive at the beginning of the year. The individual performance goals for the CEO are determined by the Compensation Committee, with input from the CEO.

### ***Compensation Consultant***

Since 2005, the Compensation Committee has engaged Radford Surveys and Consulting, or Radford, a business unit of Aon, as its independent compensation consultant. The Compensation Committee has engaged Radford to advise on matters related to our executive compensation program and to assist in creating an effective and competitive executive compensation program.

Radford assisted the Compensation Committee by providing comparative market data on compensation practices and programs based on an analysis of executive compensation survey data. Radford also provided guidance on industry best practices. Radford advised the Compensation Committee in (1) determining base salaries for executives, (2) determining the targets for total cash-based incentive compensation as a percentage of base salary, and (3) designing and determining individual equity grants for the 2010 long-term incentive plan for executives.

Radford's recommendations with respect to base salary, cash-based incentive compensation and equity-based compensation were taken into consideration by the Compensation Committee when setting base salaries and making changes to the cash-based incentive compensation and equity-based compensation components of the executive compensation program in 2010. Radford did not provide any services to us other than its services to the Compensation Committee.

**Table of Contents*****Peer Group, Survey Data and Compensation Targets***

With the assistance of Radford, the Compensation Committee compared our executive officers' compensation to that of a peer group of companies. For 2010, the peer group consisted of 19 companies which were selected by Radford and approved by the Compensation Committee based on their respective businesses, revenues, market capitalization and the number of employees. In addition to the peer group, Radford reviewed data from the Radford Executive High Technology Survey, which includes approximately 160 high technology companies with revenues of less than \$200 million with the average revenue range for the group being slightly in excess of \$100 million. The Compensation Committee considered aggregated information taken from the Radford Executive High Technology Survey and used this information to further evaluate the compensation information of our peer group. The 19 companies included in our peer group were as follows:

Airvana, Inc.  
 Anaren, Inc.  
 Applied Signal Technology  
 Argon ST, Inc.  
 Astronics Corporation  
 CalAmp  
 Ditech Communications  
 DSP Group  
 EMS Technologies, Inc.  
 Environmental Tectonics Corporation  
 Globecom Systems, Inc.  
 Herley Industries, Inc.  
 Innovative Solutions and Support, Inc.  
 Network Equipment Technologies, Inc.  
 NextWave Wireless, Inc.  
 Occam Networks, Inc.  
 PCTEL, Inc.  
 Sycamore Networks  
 Zhone Technologies

***Compensation Benchmarking Relative to Market***

Radford also provided the Compensation Committee with a comparison of the compensation of sixteen of our executives to the compensation of executives with similar titles at the companies included in the aforementioned peer group. The assessment did not consider executive tenure, experience, skill or performance. The Radford data reviewed by the Compensation Committee included market data taken from the aforementioned peer group and the Radford Executive High Technology Survey (collectively, survey data), which was combined and weighted equally and then gathered at the 25<sup>th</sup>, 50<sup>th</sup>, and 75<sup>th</sup> percentiles for (1) base salaries, (2) total cash compensation (base salary plus cash incentives), and (3) long-term incentives (number of shares of restricted stock granted and long-term incentive value of equity-based compensation).

Historically, the Compensation Committee has generally targeted approximately the median base salary level (50<sup>th</sup> percentile) of the base salaries of executives in the survey data used by the Compensation Committee as the basis for comparison for that year. Adjustments to median base salary levels were made based on comparisons to the survey data and evaluation of other factors, such as executive tenure, experience, skill and performance relative to expectations for average performance for comparable executives, which are not reflected in the survey data. These factors reflect the value each individual brings to us through experience, education and training, our specific needs, and the individual's past and expected future contributions to our success. Radford advised the Compensation Committee that base salary levels are considered to be competitive if they fall within 10% of the desired market position. For 2010, base salaries for our named executive officers ranged from approximately 3% below to approximately 4% above the 50<sup>th</sup> percentile for the base salary of the relevant position.

We believe that benchmarking and aligning base salaries is especially critical to a competitive compensation program. Other elements of our compensation are affected by changes in base salary. For example, our annual cash-based incentive compensation is targeted and paid out as a percentage of base salary.

Our compensation program allows executives to participate in an annual cash-based incentive compensation program. Historically, the payouts for our executives for achieving the expected level of corporate performance

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for the year (as a percentage of base salary) have been targeted to pay out at approximately the median (50<sup>th</sup> percentile) of payouts for executives in the survey data used by the Compensation Committee as the basis for comparison for that year. As a percentage of base salary, targets for cash-based incentive compensation to the named executive officers for 2010 ranged from 5% above to 10% below the 50<sup>th</sup> percentile of the Radford survey data.

Our compensation program allows executives to receive equity incentive awards under our equity incentive plans. Our primary goal is to create long-term value for stockholders, and accordingly the Compensation Committee believes that equity incentive awards provide an additional incentive to executive officers to work to maximize stockholder value. The fair value of the equity awards granted to our named executive officers was targeted to pay out at approximately the 75<sup>th</sup> percentile of payouts for executives in the survey data used by the Compensation Committee. The equity awards granted to our named executive officers in 2010 were between the 50<sup>th</sup> and 75<sup>th</sup> percentile of the Radford survey data.

Radford advised the Compensation Committee that Radford considers target total direct compensation levels to be competitive if they fall within 30% of the desired market position. When taking into consideration the base salary, annual cash-based incentive compensation and the equity grants made during 2010, the total direct compensation for Martin Kits van Heyningen, our CEO and Chairman of the Board, was approximately 23% above the 50<sup>th</sup> percentile of the Radford survey data and the average total direct compensation for all other named executive officers was approximately 20% above the 50<sup>th</sup> percentile of the Radford survey data.

### *Base Salary*

The Compensation Committee defines base salary as the annualized regular cash compensation of an employee, excluding cash bonus awards, corporate contributions to employee benefit plans, and other compensation not designated as salary. As described above, base salaries are set for our named executive officers at a meeting of our Compensation Committee which is held for that purpose in the first quarter of the year.

In establishing base salaries for our named executive officers for 2010, the Compensation Committee took into account the value each individual brings to us through experience, education and training, our specific needs, and the individual's past and expected future contributions to our success, as well as our overall corporate performance. For 2010, the average adjustment to salaries for our named executive officers was an increase equal to 3.9% of base salary for 2009, with the largest increase equal to 5.4% of base salary for 2009. These adjustments were effective January 1, 2010.

The following summarizes some of the individual achievements of the CEO considered by the Compensation Committee for his 2010 base salary increase:

### **Martin Kits van Heyningen, President, Chief Executive Officer and Chairman of the Board**

Developed the strategies to achieve our long-term FOG and VSAT business goals.

Took preemptive action to position the company for the recession. These actions led to an 8% increase in annual revenue and ending 2009 with a strong fourth quarter in which revenue grew 24% year over year and operating profit was solid in a very difficult economy.

Continued to champion the vision of the global mini-VSAT network, directed continued coverage expansion and established new partnerships in Asia.

Creatively influenced new product development (i.e., took an active role in developing the concept for our new TracVision HD7, a marine satellite TV antenna system that can track three satellites simultaneously). This product resulted in advancing our competitive advantage in the marine satellite TV market.

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Positioned us to capture new FOG business, including supply to the U.S. government's remote weapons systems program (CROWS II). This positioning led to annual revenue growth of more than 200% in this strategic business.

In light of these factors, Mr. Kits van Heyningen received a 5.4% increase in base salary for 2010, which approximated the 50<sup>th</sup> percentile in the Radford survey data.

The following summarizes some of the individual achievements of the named executive officers considered by the CEO in providing recommendations to the Compensation Committee for 2010 base salary increases:

### **Patrick J. Spratt, Chief Financial Officer**

Maintained Sarbanes-Oxley compliance with no material weaknesses.

Established the core global mini-VSAT network support capability.

Achieved earnings per share performance in line with our internal model.

Maintained a cash balance of not less than \$35 million during 2009.

In light of these factors, Mr. Spratt received a 3.7% increase in base salary for 2010, which approximated the 50<sup>th</sup> percentile in the Radford survey data.

### **Brent C. Bruun, Vice President, Global Sales and Business Development**

Built out a worldwide sales and support network reaching the commercial and government marine markets to keep pace with and leverage the development of new business opportunities.

Secured satellite capacity to initiate airtime service in Africa, Brazil, Australia and New Zealand.

Improved our strategy for land-mobile product offerings.

In light of these factors, Mr. Bruun received a 4.9% increase in base salary for 2010, which approximated the 50<sup>th</sup> percentile in the Radford survey data.

### **Robert J. Balog, Senior Vice President, Engineering**

Managed a broad variety of product development efforts and attained scheduled commitments and targeted costs, with particular emphasis on S-series and Ka/Ku-band marine products, V7 four-axis products and the DSP-1500 fiber optic gyro.

Refined the new product development process to heighten coordination and attain required product quality levels at launch and on time at budgeted cost.

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Provided engineering support for the world-wide mini-VSAT network development initiative. In light of these factors, Mr. Balog received a 3.6% increase in base salary for 2010, which approximated the 50<sup>th</sup> percentile in the Radford survey data.

### **James S. Dodez, Vice President, Marketing and Strategic Planning**

Supported the activities of all major sales initiatives, creating increased market awareness of our products, reinforcing product positioning and supporting specific strategic initiatives.

Finalized agreements and initiated negotiations with various services and content providers to strengthen the offerings of the mini-VSAT network.

Led our annual strategic planning effort, including documentation and tracking efforts.

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In light of these factors, Mr. Dodez received a 3.5% increase in base salary for 2010, which approximated the 50<sup>th</sup> percentile in the Radford survey data.

### **Robert W.B. Kits van Heyningen, Vice President, Research and Development**

Made significant progress in defining a new software development process.

Directed the development of a derivative of the TACNAV Common Baseline.

Coordinated all military projects internally and provided customer and application knowledge needed for these projects.

In light of these factors, Mr. Kits van Heyningen received a 3.4% increase in base salary for 2010, which approximated the 50<sup>th</sup> percentile in the Radford survey data.

### ***Annual Cash-based Incentive Compensation***

Our management incentive plan is designed to reward our executives for the achievement of annual goals, principally, achievement of corporate financial goals, and, secondarily, achievement of individual goals. It is our philosophy that the executives be rewarded for their performance as a team. We believe this is important to align our executive officers' interests with strong corporate performance and to promote cooperation among them. The executives also are rewarded for achieving individual goals set at the beginning of each year.

#### *Formula for Cash-Based Incentive Compensation*

In March 2010, the Compensation Committee adopted the management incentive plan for 2010. The management incentive plan for 2010 was adopted based on historical financial performance, planned strategic initiatives and the existing economic environment. Annual cash-based incentive compensation opportunities as a percentage of base salary were targeted at 75% of base salary for the CEO, 50% of base salary for the Chief Financial Officer and 35% to 40% of base salary for the other named executive officers. Under the incentive compensation formula for 2010, 75% of the target incentive compensation for each executive officer was tied to corporate performance. Corporate performance was measured on the basis of our progress against our business strategy for 2010. In assessing this progress, the Compensation Committee gave primary consideration to our achievement of our goal for earnings before interest, taxes, depreciation, amortization, and equity-based compensation expenses, or Adjusted EBITDA, as the Compensation Committee believed that Adjusted EBITDA would be a strong measurement of how well or how poorly we performed from a financial standpoint in 2010. The threshold and the maximum payout relating to the portion of cash-based incentive compensation tied to corporate performance was 70% and 200%, respectively. The remaining 25% of each executive's target incentive compensation was tied to the success of each executive officer in meeting personal business goals established at the beginning of 2010. Under the management incentive plan, individual performance goals (other than those of the CEO) were determined jointly by the CEO and each executive at the beginning of each year. The CEO's individual performance goals were determined jointly by the CEO and the Compensation Committee.

#### *Incentive Compensation Awarded*

The Compensation Committee awarded incentive compensation for fiscal 2010 based on its assessment of the degree of achievement of individual and corporate performance goals for 2010. Because we exceeded our Adjusted EBITDA goal, the Compensation Committee awarded 110% of the portion of each executive's incentive compensation target attributable to corporate performance. None of the incentive compensation awarded under the management incentive plan for 2010 deviated from the formula-based approach for corporate performance. Achievement of individual performance goals by the named executive officers ranged from 94% to 100%. The total cash-based incentive compensation awarded to the named executive officers as a percentage of their base salary ranged from 7% above to 8% below the 50<sup>th</sup> percentile of the Radford survey data.



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### ***Equity Incentive Program***

Equity grants to our CEO and Chief Financial Officer were based upon the Radford survey data for grants to executives in comparable positions, the executive's prior performance, the equity awards previously granted and unvested and the importance of retaining the executive's services. These factors, as well as the individual achievements of these officers as listed above in determining their 2010 base salaries, were taken into consideration when determining the number of shares covered by the equity grant. When granting equity incentives to our other named executive officers, a team approach has been utilized. Typically, as was the case in 2010, all named executive officers other than the CEO and Chief Financial Officer receive the same quantity of restricted stock awards, as their roles and responsibilities have been valued at an equivalent level. The Compensation Committee believed that granting equity incentives in this manner was the best method of motivating our executive team to perform in a manner consistent with the long-term interests of our stockholders. The CEO and Chief Financial Officer received larger restricted stock awards because they have greater responsibility for achieving our long-term goals.

Equity grants to our non-executive employees consist of restricted stock awards or stock options with the quantity granted based on base salary level in most cases.

### ***Timing of Equity Grants***

We typically grant equity incentives to executives in the first quarter of each fiscal year, usually in conjunction with the annual review of the individual and collective performance of our executive officers. In 2010, the performance-based restricted stock awards for executives were contingent upon stockholder approval of an increase in the number of shares available for issuance under our 2006 Stock Incentive Plan, as proposed at the 2010 annual meeting of stockholders. This proposal was approved by the stockholders at the 2010 annual meeting and, as a result, the restricted stock awards were granted to the executives at the next Compensation Committee meeting in August 2010.

Historically, we have given restricted stock awards or stock options to new employees upon hire. These awards have typically been approved and granted at the first Compensation Committee meeting subsequent to the employee's start date. The Compensation Committee determined that, as of January 1, 2011, it would no longer grant restricted stock awards or stock options to every new hire but instead would grant them to new hires on a case-by-case basis. In addition, we have typically granted restricted stock awards or stock options to non-executive employees during the third quarter of each fiscal year.

### ***Exercise Price and Vesting of Equity Awards***

Stock options are granted with an exercise price equal to the closing price of our common stock on the NASDAQ Global Select Market on the date of grant, generally vest annually in increments of 25% of the number of shares granted on each anniversary of the date of grant and have a life of five years. Under this vesting schedule, the options are fully exercisable four years after the date of grant, provided that the recipient remains an employee during that period. There were no stock options granted to our named executive officers during 2010.

Restricted stock awards are granted with no payment of cash consideration. In 2010, restricted stock awards were granted to our named executive officers on the following terms, as determined by the Compensation Committee: (a) 70% of the shares subject to the restricted stock award vest in four equal annual installments, the first of which vests on the first anniversary of the grant date; (b) 15% of the shares subject to the restricted stock award vest in four equal annual installments, the first of which vests on March 12, 2011, contingent upon achieving satisfactory progress toward three mini-VSAT sales objectives in 2010, as determined by the Compensation Committee and which primarily focused on revenue growth, the completion of the mini-VSAT global network and increasing the number of airtime service subscribers and (c) 15% of the shares subject

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to the restricted stock award vest in four equal annual installments, the first of which vests on March 12, 2011, contingent upon achieving satisfactory progress toward three fiber optic gyro sales objectives in 2010, as determined by the Compensation Committee and which primarily focused on revenue growth and expanding and diversifying our customer base. We fully achieved one of the three mini-VSAT sales objectives and largely achieved the remaining two sales objectives, missing each goal by 10% or less. In addition, our mini-VSAT revenue for 2010, excluding the impact of the Virtek acquisition, increased by approximately 58% since 2009. The Compensation Committee also determined that we achieved the fiber optic gyro sales objectives during 2010. As a result of the significant growth in the mini-VSAT revenue year over year, combined with the achievement of the majority of the goals set forth at the beginning of 2010, the Compensation Committee approved 100% of the performance shares granted.

Restricted stock awards for non-executive employees vest in four equal annual installments, the first of which vests on the first anniversary of the grant date.

### ***Other Compensation and Perquisites***

#### ***General***

Our executive officers are eligible to receive the same health and welfare benefits that are available to other employees and a contribution to their benefit premium that is the same percentage as provided to other employees. These benefit programs include health and dental insurance, life insurance, supplemental life insurance, and long-term disability insurance, and certain other benefits. In general, our employees pay approximately 30% of the health insurance premium due.

We maintain an Employee Stock Purchase Plan and a tax-qualified 401(k) plan, which provides for broad-based employee participation. Under the 401(k) plan, all of our employees, including executive officers, are eligible to receive matching contributions from us. We presently match 50% of all employee 401(k) plan contributions up to 4% of salary, with a maximum annual corporate match per employee of \$3,000. We do not provide defined benefit pension plans or defined contribution retirement plans to our executives or other employees other than the 401(k) plan.

We provided automobile allowances to three executives in 2010. Martin Kits van Heyningen's auto allowance was \$10,240 and Robert Balog's was \$6,000. Brent Bruun received \$15,000 in 2010 for automobile and housing allowances. Executive officers did not receive any other perquisites or other personal benefits or property from us.

#### ***Equity Ownership by Executives***

We do not currently have a formal stock ownership requirement for executives or any related hedging policies. However, stock ownership by executives is encouraged on a voluntary basis. Each of our executive officers holds both vested and unvested stock options and restricted stock awards as shown in the table entitled "Outstanding Equity Awards as of December 31, 2010." The Compensation Committee reviews the vested and unvested stock options and restricted stock awards held by the executives each year.

#### ***Tax and Accounting Considerations***

Section 162(m) of the Internal Revenue Code limits our ability to deduct annual compensation in excess of \$1,000,000 that is paid to our CEO and our executive officers, unless that compensation is performance-based within the meaning of Section 162(m) and the regulations promulgated there under. The restricted stock awards that we grant under the 2006 Plan do not qualify as performance-based compensation. We believe that all of our stock options do so qualify and therefore are not subject to the deduction limitation of Section 162(m). The salary and bonuses paid to our executive officers are not exempt from this deduction limit. Accordingly, we may be unable to deduct some of the amounts that may be recognized as ordinary income by our executive officers.

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We consider tax deductibility in the design and administration of our executive officer compensation plans and programs. However, we believe that it is in the best interests of our stockholders that we retain flexibility and discretion to make compensation awards, whether or not deductible, when such awards are consistent with our strategic goals.

Rules under generally accepted accounting principles determine the manner in which we account for grants of equity-based compensation to our employees in our consolidated financial statements. Our accounting policies for equity-based compensation are further discussed in note 7 of our audited consolidated financial statements in our Form 10-K for the year ended December 31, 2010, as filed with the SEC on March 14, 2011.

**Table of Contents****SUMMARY COMPENSATION TABLE****For 2010**

The following table provides information concerning the compensation earned by our CEO, Chief Financial Officer and each of our three most highly compensated executive officers other than the CEO and Chief Financial Officer (collectively, named executive officers) during 2010. In addition, we are providing information regarding the compensation earned by Robert W.B. Kits van Heyningen, who is a director and an immediate family member of Martin A. Kits van Heyningen, our President, Chief Executive Officer and Chairman of the Board of Directors. We are treating Robert W.B. Kits van Heyningen as a named executive officer for purposes of the executive compensation disclosures in this proxy statement in lieu of the information that we would otherwise provide in response to the disclosure requirements for director compensation and related-party transactions.

In 2010, the salary and bonus of our named executive officers as a percentage of total compensation ranged from 29% to 44%.

Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Stock Awards \$(2)	Non-Equity Incentive	All Other Compensation \$(4)	Total (\$)
					Plan Compensation \$(3)		
Martin A. Kits van Heyningen President, Chief Executive Officer and Chairman of the Board of Directors	2010	395,000	1,000	645,850	318,469	13,240	1,373,559
	2009	374,842	1,000	458,000	281,132	13,220	1,128,194
	2008	374,842	250	441,500	203,820	24,492	1,044,904
Patrick J. Spratt Chief Financial Officer	2010	269,050	1,000	322,925	144,614	3,000	740,589
	2009	259,450	1,000	229,000	128,103	3,000	620,553
	2008	249,471	250	220,750	91,992	3,000	565,463
Brent C. Bruun Vice President, Global Sales and Business Development	2010	222,525	1,000	193,755	95,018	18,000	530,298
	2009	212,209	34,333 <sup>(5)</sup>	137,400	84,495	18,000	486,437
Robert J. Balog Senior Vice President, Engineering	2010	228,522	1,000	193,755	84,782	9,000	517,059
	2009	220,581	1,000	137,400	76,238	9,000	444,219
	2008	210,077	250	132,450	53,307	9,000	405,084
James S. Dodez Vice President, Marketing and Strategic Planning	2010	221,082	1,000	193,755	94,181	3,000	513,018
	2009	213,606	1,000	137,400	84,374	3,000	439,380
	2008	206,383	250	132,450	59,851	3,000	401,934
Robert W.B. Kits van Heyningen Vice President, Research and Development and Director	2010	215,126	1,000	193,755	80,000	3,000	492,881
	2009	208,052	1,000	137,400	69,177	3,987	419,616
	2008	203,973	250	132,450	51,758	11,251	399,682

(1) Reflects annual holiday bonus earned and paid in 2010, 2009 and 2008.

(2) Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts shown represent the aggregate grant date fair value, computed using the market price on the date of grant in accordance with Accounting Standards Codification 718, Compensation - Stock Compensation (ASC 718), of restricted stock awards granted during each year, excluding the impact of estimated forfeitures related to service-based vesting conditions. Also included in this amount is the aggregate grant date fair value of performance-based restricted stock awards, which is based on the probable outcome of the performance conditions related to these awards as of the grant date, excluding the impact of estimated forfeitures related to service-based vesting conditions. The probable outcome of the 2010 performance-based awards was estimated at 100%, and the awards paid out at 100% of the target, as the performance criterion was determined to have been met by the Compensation Committee. Therefore, stock-based compensation associated with the aggregate grant date fair value of the performance-based awards was

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- recorded in 2010. The probable outcome of the 2009 performance-based awards was estimated at 100%, and the awards paid out at 50% of the target, as only one of the two performance criteria was met. Therefore, stock-based compensation associated with a quarter of the aggregate grant date fair value of the restricted stock awards was not recorded in 2009 as half of the total restricted stock awards granted in 2009 were performance-based awards. The probable outcome of the 2008 performance-based awards was estimated at 100%, and the awards paid out at 0% of target, as the performance criterion was not met. Therefore, no stock-based compensation was recorded on the performance-based restricted stock awards granted in 2008.
- (3) For 2010, the table reflects amounts that were earned under our management incentive plan for 2010 performance and that were determined and paid in March 2011. For 2009, the table reflects amounts that were earned under our management incentive plan for 2009 performance and that were determined and paid in March 2010. For 2008, the table reflects amounts that were earned under our management incentive plan for 2008 performance and that were determined and paid in March 2009.
- (4) Reflects the value of 401(k) matching contributions (\$3,000 maximum) and auto and housing allowances. See Compensation Discussion and Analysis Other Compensation and Perquisites for more information on these allowances. Named executive officers did not receive any other perquisites, personal benefits or property.
- (5) Amount includes \$33,333, which represents the portion of Mr. Bruun's retention bonus earned during 2009.

**Table of Contents****GRANTS OF PLAN-BASED AWARDS****For 2010**

The following table provides information regarding grants of plan-based awards made to our named executive officers during 2010.

Name	Grant Date(1)	Threshold (\$)	Estimated Future Payouts Under Non-Equity Awards(2)		Estimated Future Payouts Under Equity Incentive Plan Awards(3)	All Other Stock Awards: Number of Shares (#)(4)	Grant Date Fair Value of Stock Awards (\$)(5)
			Target (\$)	Maximum (\$)			
Martin A. Kits van Heyningen	3/12/2010	229,594	296,250	518,438			
	3/12/2010					35,000	441,700
	8/5/2010				15,000		204,150
Patrick J. Spratt	3/12/2010	104,257	134,525	235,419			
	3/12/2010					17,500	220,850
	8/5/2010				7,500		102,075
Brent C. Bruun	3/12/2010	68,983	89,010	155,768			
	3/12/2010					10,500	132,510
	8/5/2010				4,500		61,245
Robert J. Balog	3/12/2010	61,987	79,983	139,970			
	3/12/2010					10,500	132,510
	8/5/2010				4,500		61,245
James S. Dodez	3/12/2010	68,535	88,433	154,757			
	3/12/2010					10,500	132,510
	8/5/2010				4,500		61,245
Robert W.B. Kits van Heyningen	3/12/2010	58,353	75,294	131,765			
	3/12/2010					10,500	132,510
	8/5/2010				4,500		61,245

- (1) Reflects the date on which the grants and management incentive plan were approved by the Compensation Committee.
- (2) The amounts shown in these columns represent the executives' annual incentive opportunity under the management incentive plan. All amounts reflect executive achievement of 100% of individual performance goals. See Compensation Discussion and Analysis Annual Cash-based Incentive Compensation for more information regarding this plan.
- (3) Represents all grants of performance-based restricted stock awards under the 2006 Stock Incentive Plan in 2010, excluding the impact of estimated forfeitures related to service-based vesting conditions. Vesting of one-half of these performance-based awards was contingent upon achieving certain mini-VSAT sales objectives for 2010 and vesting of one-half of these performance-based awards was contingent upon achieving certain fiber optic sales objectives in 2010. The awards contained no threshold or maximum payouts other than the targeted payout. The restricted stock awards were received without payment of cash consideration. The Compensation Committee determined that the performance-based conditions had been satisfied and, as a result, the restricted stock awards were earned and will vest in four equal annual installments, the first of which vested on March 12, 2011. See Compensation Discussion and Analysis Equity Incentive Program for more information regarding these grants.
- (4) Represents all grants of non-performance-based restricted stock awards under the 2006 Stock Incentive Plan in 2010, excluding the impact of estimated forfeitures related to service-based vesting conditions. The restricted stock awards were received without payment of cash consideration. The restricted stock awards vest in four equal annual installments. See Compensation Discussion and Analysis Equity Incentive Program for more information regarding these grants.
- (5) Reflects the grant date fair value of restricted stock awards granted to our named executive officers computed using the market price on the date of grant, in accordance with ASC 718, excluding the impact of estimated forfeitures related to service-based vesting conditions.



**Table of Contents****OUTSTANDING EQUITY AWARDS**

As of December 31, 2010

The following table provides information concerning outstanding equity awards held by the named executive officers on December 31, 2010.

Name	Option Awards				Stock Awards		
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options (#)(1)	Option Exercise Price (\$)	Option Expiration Date(2)	Grant Date of Shares of Stock That Have Not Vested	Number of Shares of Stock That Have Not Vested (#)	Market Value of Shares of Stock That Have Not Vested (\$)(3)
Martin A. Kits van Heyningen					2/28/2008 <sup>(4)</sup>	12,500	149,375
					3/11/2009 <sup>(4)</sup>	56,250	672,188
					3/12/2010 <sup>(4)</sup>	35,000	418,250
					8/5/2010 <sup>(5)</sup>	15,000	179,250
	9,038		10.54	2/22/2011			
	30,000	10,000	9.87	3/6/2012			
Patrick J. Spratt					2/28/2008 <sup>(4)</sup>	6,250	74,688
					3/11/2009 <sup>(4)</sup>	28,125	336,094
					3/12/2010 <sup>(4)</sup>	17,500	209,125
					8/5/2010 <sup>(5)</sup>	7,500	89,625
	18,750	6,250	9.87	3/6/2012			
Brent C. Bruun					3/11/2009 <sup>(4)</sup>	16,875	201,656
					3/12/2010 <sup>(4)</sup>	10,500	125,475
					8/5/2010 <sup>(5)</sup>	4,500	53,775
	37,500	37,500	8.89	8/8/2013			
Robert J. Balog					2/28/2008 <sup>(4)</sup>	3,750	44,813
					3/11/2009 <sup>(4)</sup>	16,875	201,656
					3/12/2010 <sup>(4)</sup>	10,500	125,475
					8/5/2010 <sup>(5)</sup>	4,500	53,775
	9,375	3,125	9.87	3/6/2012			
James S. Dodez					2/28/2008 <sup>(4)</sup>	3,750	44,813
					3/11/2009 <sup>(4)</sup>	16,875	201,656
					3/12/2010 <sup>(4)</sup>	10,500	125,475
					8/5/2010 <sup>(5)</sup>	4,500	53,775
	9,375	3,125	9.87	3/6/2012			
Robert W.B. Kits van Heyningen					2/28/2008 <sup>(4)</sup>	3,750	44,813
					3/11/2009 <sup>(4)</sup>	16,875	201,656
					3/12/2010 <sup>(4)</sup>	10,500	125,475
					8/5/2010 <sup>(5)</sup>	4,500	53,775
	9,375	3,125	9.87	3/6/2012			

(1) The options vest and become exercisable in equal installments on the first four anniversaries of the grant date.

(2) Each option was granted five years prior to the option expiration date.

(3) Value is calculated by multiplying the number of restricted stock awards that have not vested by the closing price of our common stock on the NASDAQ Global Market (\$11.95) as of the close of trading on December 31, 2010.

(4) The restricted stock awards vest in equal installments on the first four anniversaries of the grant date.

(5) The restricted stock awards vest in four equal installments, the first of which vested on March 12, 2011.





**Table of Contents****OPTION EXERCISES AND STOCK VESTED DURING 2010**

The following table provides information regarding option exercises and the restricted stock awards vested for each of our named executive officers during 2010.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting (\$)(2)
Martin A. Kits van Heyningen	55,962	197,196	25,000	318,125
Patrick J. Spratt	25,000	81,451	12,500	159,063
Brent C. Bruun			5,625	72,563
Robert J. Balog	24,500	64,566	7,500	95,438
James S. Dodez	25,000	68,554	7,500	95,438
Robert W.B. Kits van Heyningen	12,500	36,092	7,500	95,438

(1) The value realized equals the difference between the option exercise price and the fair market value of our common stock on the NASDAQ Global Market on the date of exercise, multiplied by the number of shares for which the option was exercised.

(2) Value realized is calculated by multiplying the number of restricted stock awards vested by our common stock closing price on the NASDAQ Global Market on the vesting date.

We have no pension plan or nonqualified deferred compensation plan, and accordingly the tables of pension benefits and nonqualified deferred compensation are omitted.

**Director Compensation**

At the first meeting of the Board of Directors following the annual meeting of stockholders, non-employee directors will automatically receive a restricted stock award of 5,000 shares of our common stock. Each restricted stock award vests in four equal quarterly installments after the date of grant.

In addition, each non-employee director who is appointed to serve on the Audit Committee of our Board of Directors will receive, on the date of his or her initial appointment, a restricted stock award of 5,000 shares of our common stock and an additional restricted stock award of 5,000 shares on each anniversary, so long as he or she continues to serve on our Audit Committee. In accordance with this policy, each of Messrs. Ain, Ryan and Trimble received a restricted stock award of 5,000 shares of common stock in August 2010, the fair value of which was \$68,050 on the date of grant. Each restricted stock award will vest in four equal quarterly installments after the date of grant.

Each newly elected non-employee director will automatically receive on the date of his or her election a restricted stock award of 10,000 shares of our common stock. Each initial grant will vest in four equal quarterly installments after the date of grant. Currently, our non-employee directors are Messrs. Ain, Honey, Ryan and Trimble.

In accordance with the policy regarding automatic grants to non-employee directors, at the first meeting of the Board of Directors after the 2010 annual meeting of stockholders, each of Messrs. Ain, Honey, Ryan and Trimble received a restricted stock award of 5,000 shares of common stock, the fair value of which was \$68,050 on the date of grant. Each restricted stock award vests in four equal quarterly installments after the date of grant.

We also paid our non-employee directors a \$25,000 annual retainer and \$2,500 for each regularly scheduled quarterly Board meeting attended during 2010. No additional cash compensation was paid for attending any other Board or Committee meetings. Directors who are employees did not receive separate fees for their services as directors.

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Non-employee directors who also served as members of the Audit and Compensation Committees received an additional annual compensation of \$3,000 and \$2,000, respectively, except that the Chairman of each of the Audit and Compensation Committees received annual compensation of \$6,500 and \$3,000, respectively during 2010.

We paid compensation to Martin A. Kits van Heyningen and Robert W.B. Kits van Heyningen as set forth in the tables entitled Summary Compensation Table and Grants of Plan-Based Awards.

**Table of Contents****DIRECTOR COMPENSATION TABLE****For 2010**

The following table provides information regarding the compensation of our directors who are not named executive officers for 2010.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards \$(1)</b>	<b>Total \$(2)</b>
Bruce J. Ryan	43,500	136,100	179,600
Mark S. Ain	41,000	136,100	177,100
Charles R. Trimble	40,000	136,100	176,100
Stanley K. Honey	32,500	68,050	100,550

- (1) Amounts shown do not reflect compensation actually received by the director. Instead, the amounts shown represent the aggregate grant date fair value, computed using the market price on the date of grant in accordance with ASC 718, of restricted stock awards granted during 2010, excluding the effect of estimated forfeitures.
- (2) Amounts shown reflect actual cash received during 2010 as well as the aggregate grant-date fair value of stock awards granted during 2010. Refer to the Outstanding Director Equity Awards table for information concerning outstanding equity awards held by our non-employee directors.

**Table of Contents****OUTSTANDING DIRECTOR EQUITY AWARDS**

As of December 31, 2010

The following table provides information concerning outstanding equity awards held by our directors who are not named executive officers on December 31, 2010.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date(1)	Number of Shares of Stock That Have Not Vested (#)	Market Value of Stock That Have Not Vested (\$)(2)
Bruce J. Ryan	5,000		11.65	8/2/2011	7,500 <sup>(3)</sup>	89,625
	5,000		11.71	8/7/2011		
	10,000		8.66	7/26/2012		
	10,000		8.89	8/8/2013		
	5,000		4.25	12/12/2013		
Mark S. Ain	5,000		11.65	8/2/2011	7,500 <sup>(3)</sup>	89,625
	5,000		11.71	8/7/2011		
	10,000		8.66	7/26/2012		
	10,000		8.89	8/8/2013		
	5,000		4.25	12/12/2013		
Charles R. Trimble	5,000		11.65	8/2/2011	7,500 <sup>(3)</sup>	89,625
	5,000		11.71	8/7/2011		
	10,000		8.66	7/26/2012		
	10,000		8.89	8/8/2013		
	5,000		4.25	12/12/2013		
Stanley K. Honey	5,000		11.65	8/2/2011	3,750 <sup>(3)</sup>	44,813
	5,000		8.66	7/26/2012		
	5,000		8.89	8/8/2013		
	5,000		4.25	12/12/2013		

(1) Each option was granted five years prior to the option expiration date.

(2) Value is calculated by multiplying the number of restricted stock awards that have not vested by the closing price of our common stock on the NASDAQ Global Market (\$11.95) as of the close of trading on December 31, 2010.

(3) Amounts include restricted stock awards granted on August 5, 2010 which vest in four equal quarterly installments, with the first vest date being November 5, 2010.

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**COMPENSATION COMMITTEE REPORT <sup>(1)</sup>**

The Compensation Committee established by our Board of Directors is currently composed of Messrs. Ain, Ryan and Trimble. Our Board of Directors adopted a charter for the Compensation Committee in April 2004. Under the charter, the Compensation Committee is responsible for recommending to the Board the compensation philosophy and policies that we should follow, particularly with respect to the compensation of the members of our senior management. The Committee is responsible for reviewing and approving the compensation of our executive officers, including our Chief Executive Officer. In addition, the Board has delegated to the Committee the authority to administer, review and make recommendations with respect to our incentive compensation plans and our equity-based plans.

The Compensation Committee has submitted the following report for inclusion in this proxy statement:

Our Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this proxy statement. Based on our Committee's review of, and the discussions with management with respect to the Compensation Discussion and Analysis, our Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2010.

Compensation Committee

Mark S. Ain (Chairman)

Bruce J. Ryan

Charles R. Trimble

<sup>(1)</sup> The material in this report is not soliciting material, is not deemed filed with the SEC and is not incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made on, before, or after the date of this proxy statement and irrespective of any incorporation language in such filing.

**Table of Contents****EQUITY COMPENSATION PLANS**

The following table provides information as of December 31, 2010 regarding shares authorized for issuance under our equity compensation plans, including individual compensation arrangements.

The equity compensation plans approved by our stockholders are our Amended and Restated 2006 Stock Incentive Plan, Amended and Restated 2003 Incentive and Nonqualified Stock Option Plan, Amended and Restated 1996 Incentive and Nonqualified Stock Option Plan, and Amended and Restated 1996 Employee Stock Purchase Plan. Under the 2006 Plan, each share issued under awards other than options will reduce the number of shares reserved for issuance by two shares (but will reduce the maximum annual number of shares that may be granted to a participant only by one share), and shares issued under options will reduce the shares reserved for issuance on a share-for-share basis. The following table does not reflect grants from January 1, 2011 through April 15, 2011 of 130,000 restricted stock awards with a weighted-average grant-date fair value of \$14.32 per share, nor does it reflect grants during that period of nonqualified stock options to purchase an aggregate of 250,000 shares of our common stock at a weighted average exercise price of \$14.40 per share. The restricted stock awards and stock options were granted on the following terms as determined by the Compensation Committee: (a) the grantee received the restricted stock award without payment of cash consideration and (b) the total number of shares subject to the award will vest annually in four equal installments, the first of which vests on the first anniversary of the grant date. As of December 31, 2010, we did not have any equity compensation plans not approved by our stockholders.

**Equity Compensation Plan Information**

as of December 31, 2010

Plan category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (#) (a)	Weighted-average exercise price of outstanding options, warrants and rights (\$) (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)(#)) (c)
Equity compensation plans approved by stockholders	696,801 <sup>(1)</sup>	10.65	2,144,404 <sup>(2)</sup>
Equity compensation plans not approved by stockholders			
<b>Total</b>	<b>696,801<sup>(1)</sup></b>	<b>10.65</b>	<b>2,144,404<sup>(2)</sup></b>

<sup>(1)</sup> Does not include 728,536 shares of restricted stock granted under the Amended and Restated 2006 Stock Incentive Plan which were not vested as of December 31, 2010 and therefore subject to forfeiture. The weighted-average grant-date fair value of these shares of restricted stock was \$8.97. Any restricted stock award forfeited would be available for issuance under the Amended and Restated 2006 Stock Incentive Plan at a ratio of two available shares for each restricted stock award forfeited.

<sup>(2)</sup> Each share issued under awards other than options will reduce the number of shares reserved for issuance by two shares (but will reduce the maximum annual number of shares that may be granted to a participant only by one share), and shares issued under options will reduce the shares reserved for issuance on a share-for-share basis. Includes 102,026 shares of common stock reserved for future issuance under our Amended and Restated 1996 Employee Stock Purchase Plan.

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**SECURITY OWNERSHIP OF CERTAIN  
BENEFICIAL OWNERS AND MANAGEMENT**

At the close of business on April 15, 2011, there were 15,555,444 shares of our common stock outstanding. On April 15, 2011, the closing price of our common stock as reported on the NASDAQ Global Select Market was \$15.11 per share.

**Principal stockholders**

The following table provides, to the knowledge of management, information regarding the beneficial ownership of our common stock as of April 15, 2011, or as otherwise noted, by:

each person known by us to be the beneficial owner of more than five percent of our common stock;

each of our directors;

each executive officer named in the summary compensation table; and

all of our current directors and executive officers as a group.

The persons named in this table have sole voting and investment power with respect to the shares listed, except as otherwise indicated. The inclusion of shares listed as beneficially owned does not constitute an admission of beneficial ownership. Shares included in the Right to acquire column consist of shares that may be purchased through the exercise of options that are vested or will vest within 60 days of April 15, 2011.

	Shares beneficially owned			
	Outstanding	Right to acquire	Total	Percent
<b>5% Stockholders</b>				
Royce & Associates, LLC <sup>(1)</sup>	1,897,600		1,897,600	12.2
745 Fifth Avenue				
New York, NY 10151				
Eagle Asset Management, Inc. <sup>(2)</sup>	1,024,098		1,024,098	6.6
880 Carillon Parkway				
St. Petersburg, FL 33716				
BlackRock, Inc. <sup>(3)</sup>	943,709		943,709	6.1
40 East 52 <sup>nd</sup> Street				



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New York, NY 10022

**Directors**

Martin A. Kits van Heyningen <sup>(4)</sup>	420,467	42,100	462,567	3.0
Robert W.B. Kits van Heyningen	148,130	12,500	160,630	1.0
Mark S. Ain	63,246	35,000	98,246	*
Charles R. Trimble	32,000	35,000	67,000	*
Stanley K. Honey <sup>(5)</sup>	56,875	20,000	76,875	*
Bruce J. Ryan	20,000	35,000	55,000	*

**Other Named Executive Officers**

Patrick J. Spratt <sup>(6)</sup>	129,938	25,000	154,938	*
Brent C. Bruun	69,083	37,500	106,583	*
James S. Dodez <sup>(7)</sup>	48,096	12,500	60,596	*
Robert J. Balog	47,621	12,500	60,121	*

**All current directors and executive officers as a group**

(12 persons) <sup>(8)</sup>	1,134,048			
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